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BC INNOVATION COUNCIL

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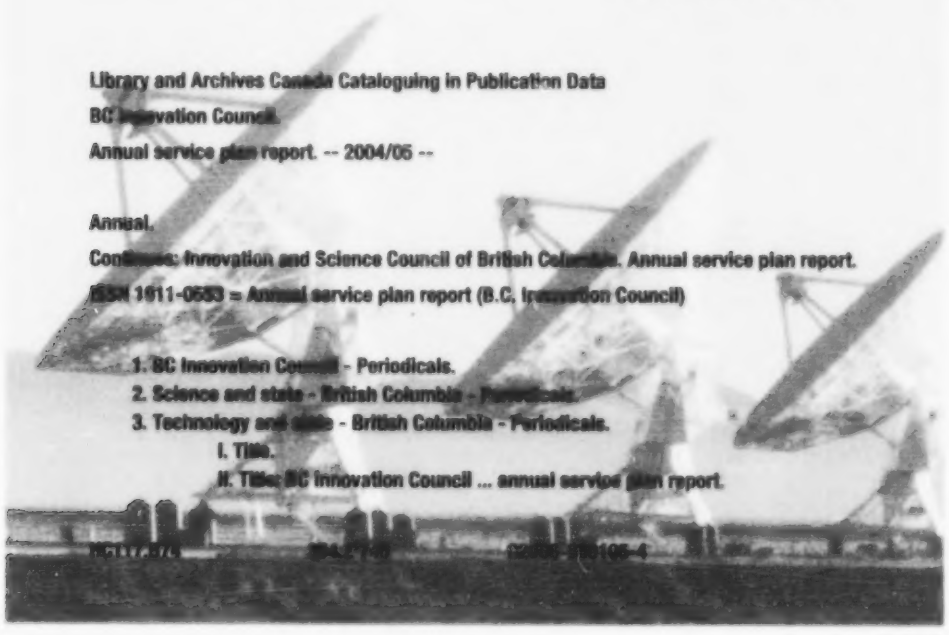

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MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE

Hector MacKay-Dunn, QC
Chair, BC Innovation Council

As my first year as Chair of the BC Innovation Council, I am pleased to be leading an organization that promises to renew itself as the central agency in British Columbia with the important mandate to accelerate innovation and commercialization.

This year has been a year of transition with the laying of key fundamental elements crucial to the development of the Council. In June 2005, we transitioned to the Ministry of Advanced Education, the Ministry that is also responsible for Research and Technology. This was a significant move for the Council as it underlined the important connection the Premier envisions between research, innovation and commercialization.

In November, Dr. David Dolphin was selected to become the inaugural Chief Executive Officer for the Council. Having developed Visudyne, the lead product for one of British Columbia's and the world's most successful biotechnology companies, it is expected that his background in research and experience in commercialization will play a key role for the Council during this period of transition and renewal.

At the end of this fiscal year, seven additional individuals were appointed through Order-in-Council to join the Council's board. With these seven members, who bring so much breadth and depth of complementary experience to the Council board, the Council board now comprises nine highly-qualified individuals who are ready to tangibly put into practice the needs of the innovation and commercialization sector for which many people recognize the need but no organization has led. I am pleased and honoured to welcome my fellow board members, Mr. Greg Aasen, Dr. Max Blouw, Mr. Jock Finlayson, Mr. Richard Glickman, Dr. Ken Higginbotham, Mr. Greg Kerfoot and Dr. Alan Winter who now join Dr. Tim Walzak and myself.

Throughout this transition year, the Council has been successful in maintaining the activities consistent with the previous year. The Council continued its sector development work in the oceans/marine sector as well as the aquaculture, agri-food bioproducts and health product sectors. Research and industry development funding for the aquaculture and health product sectors also continued. In addition, the Council supported the province's most important asset for future innovation by providing awards, scholarships and fellowships to high-school and undergraduate students.

I'm pleased that new initiatives have also been introduced during this transition period. The Council secured several million dollars to begin the process of further developing the agri-food and bioproducts sector. In addition, it firmly established its support of international business opportunities by establishing the Office of International Partnerships led by Ms. Cindy Lum.

This year was also the first year that the Council took over management of the Science and Technology Fund. This fund supported seven regional science and innovation councils and six university-industry liaison offices throughout the province. Regrettably, introduced at a time of fiscal restraint, it was not possible to expand the Fund and support additional regional councils but we intend to continue raising awareness to encourage further support for regional initiatives.

Key organizational issues have been addressed with the selection of a new CEO and the appointment of a full board. The Council's Service Plan has undergone dramatic changes over the last two years. As a result, the measures established in the 2005/06 Updated Service Plan are no longer directly relevant because, following a number of consultations with the Ministry, the entire set of measures have been revamped as outlined in the recently published 2006/07 Service Plan. We look forward to begin reporting under these measures next year. In the meantime, since Council has been operating with a similar degree of activity over the last few years, we have chosen to report our performance relative to the previous years' outcomes as it would be more in-keeping with the principle of relevant and reliable information as outlined in the BC Reporting Principles.

As part of the process for renewal with a focussed mandate, it is an opportune time with our new board to undertake an intensive strategic planning process in order to finalize a "going-forward" plan for the Council that meets our expected five to ten-fold expansion in the coming years.

The Council is fortunate to operate within a supportive environment. Overall, the economy and innovation sector is relatively strong. There are areas, however, where the province lags behind, such as in high technology employment rates, productivity and development of highly qualified research personnel. I view these areas as opportunities where the Council can take a leadership role in making valuable contributions toward addressing these areas.

Message From The Chair To The Minister Responsible

As we begin the next phase of the Council's development, I look forward to continuing to build on our relationship with our Minister, the Honourable Murray Coell as well as our Deputy Minister, Dr. Moura Quayle and her staff. I extend my thanks and appreciation for their continued support.

I wish to also extend my appreciation to the Council's staff and Executive Management team for their tireless efforts during this time of transition. Special thanks go to Ms. Lum who took on the Chief Executive Officer's position until Dr. Dolphin joined the organization and has since returned to her role as Chief Operating Officer, and in addition took on the role of President of the Office of International Partnerships.

Finally, I applaud the entire technology community in British Columbia including the Council's many volunteers who share a common vision to achieve the Premier's goal of British Columbia becoming one of the top-ten technology centres in the world. I am impressed by the growing level of cooperation I see between those in the technology community who understand the value of not only strong companies, but the value of developing an environment that supports and rewards innovation in British Columbia.

The time has come for each of us to dig deep and collectively press onward if we are to make British Columbia a major player in the innovation economy.

The 2005/06 BC Innovation Council Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of the BC Innovation Council for the twelve months ended March 31, 2006. All significant decisions, events and identified risks, as of March 31, 2006, have been considered in preparing the report.

The information presented is prepared in accordance with the BC Reporting Principles and represents a comprehensive picture of our actual performance in relation to our service plan. The measures presented are consistent with the BC Innovation Council's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

This report contains estimates and interpretive information that represent the best judgement of management. Any significant limitations in the reliability of data are identified in the report.

Hector MacKay-Dunn, QC
Chair, BC Innovation Council

ORGANIZATIONAL OVERVIEW

The BC Innovation Council ("Council") is a Crown agency of the Province of British Columbia. The Council was publicly launched in October, 2004 as a result of a merger between the Innovation and Science Council of BC, a Crown agency, and the Advanced Systems Institute of BC, a non-profit foundation.

Organizational Structure & Enabling Legislation

The Council operates under the British Columbia Innovation Council Act, which is a result of an amendment, made official on March 30th, 2006, of the Act under which the predecessor Crown agency operated. Mr. Hector MacKay-Dunn, QC, is the Chair of the nine-member board that leads the Council, which is responsible to the Honourable Murray Coell, Minister of Advanced Education and the Minister Responsible for Research and Technology.

The Council employs a staff of thirteen professionals led by Dr. David Dolphin, Chief Executive Officer and Ms. Cindy Lum, Chief Operating Officer.

Vision

The Council's vision is to be British Columbia's lead organization that supports applied research and commercialization of science and technology to foster province-wide economic development.

Mandate

The Council operates under four strategic mandate areas:

1. Accelerate commercialization programs for early stage and rapid growth companies to expedite the introduction of world-class technology based products to international markets;
2. Capitalize and expand technology transfer by getting research results with clear economic potential out of the university laboratory and research institutions and into the commercialization process as quickly and efficiently as possible;
3. Partner in the development and promotion of a province-wide strategy for science, innovation and technology development; and
4. Build public awareness for science and technology to recognize high achievement of the province's researchers, scientists and technology entrepreneurs and encourage the province's youth to consider pursuing research and technology-related careers.

Values

The Council depends on its values as an important guide for its operations as a public sector organization. The Council is:

1. **Entrepreneurial** by identifying the needs of its primary market - the research and innovation sector in the province - and ensuring that it carries out market-driven activities.
2. **Innovative** by pursuing opportunities that ensure its resources are effectively leveraged and sustainable activities are developed.
3. **Accountable** for its activities and ensures efficient, transparent and fair processes are followed.
4. **Partner-driven** in its collaborations with other organizations in order to bring value-added benefits to its primary market.

Primary Business & Benefit to British Columbia

As the sole Crown agency in the province responsible for innovation and commercialization, the Council's primary business is to foster province-wide economic development and enhance British Columbia's ability to compete on a global scale. It provides a one-stop point of access and support to companies, educational institutions, technology industry awareness groups, federal science and technology agencies and university research labs involved in technology development and commercialization.

Innovation plays an integral role in British Columbia; from an economic standpoint in the natural resource sectors to the high-technology industry, and from a social standpoint from education to health. The Council, being responsible for innovation and commercialization in the province develops and encourages greater activity in these two areas to bring benefits to British Columbians by:

1. Supporting organizations throughout British Columbia to initiate regional economic development activities that assist the formation and further establishment of, early-stage companies;
2. Encouraging youth in the province to pursue science and technology-related careers through fellowships, scholarships, awards and career events;

3. Coordinating and funding research and industry development activities on a sector-wide basis to strengthen British Columbia's competitiveness internationally in various sectors;
4. Recognizing innovative British Columbians who have made significant contributions to research, technology development, science communications and entrepreneurship;
5. Developing key anchor companies and research centres in the province to achieve a critical mass of resources that are crucial to establishing British Columbia as a major technology centre.

Core Business Areas & Major Programs and Initiatives

The Council's core business areas and related major programs are as follows:

The Council supports the development of technology and/or research sectors throughout the province that create, improve and/or utilize science and innovation.

Key sectors supported include:

1. **Oceans, marine and energy** by supporting an Oceans/Marine & Energy Sector Development Officer to develop and coordinate collaborative projects and initiatives between industry, academia and government;
2. **Aquaculture** by supporting the BC Aquaculture Research and Development Committee that serves to coordinate the province's aquaculture research activities as well as communicate and disseminate such research to industry, government and academia; and
3. **Bioproducts** by assisting to establish the BC Bioproducts Association, which currently operates as an independent industry association for the bioproducts sector in British Columbia.
4. **Health product and functional food** by assisting with the management and administration of a research and industry development fund.

The Council is currently assessing a number of other sectors to play a greater role in increasing the competitiveness of the province's industries internationally.

The Council manages a number of programs and initiatives that support research, innovation and industry/regional development throughout British Columbia.

Key programs and initiatives include:

1. **Office of International Partnerships** (OIP), a new office of the Council, established in March 2006. Led by Ms. Cindy Lum, President of the Office and the Council's Chief Operating Officer, the OIP establishes key relationships with senior government officials to assist companies in developing business in international markets.
2. **Science & Technology Fund** that currently supports base operations for seven regional science, technology and innovation councils and six university-industry liaison offices and technology transfer centres at key post-secondary institutions throughout the province.
3. **Aquaculture and Environment Fund** ("Aqua E-Fund") that supports research on the environmental aspects of finfish and shellfish aquaculture in order to enable adoption of sustainable management and operational practices as well as address questions of public interest and policy.
4. **Health Products and Functional Food Program** that supports enhanced communication and coordination; increased industry marketing and promotion; and targeted research and development for the functional food and natural health product sectors in British Columbia.
5. A fund for the agriculture, food and bioproducts sector that is currently being developed in collaboration with the Ministry of Agriculture and Lands with funding priorities to be announced in the near future.
6. Post-secondary faculty fellowship opportunities designed to increase research capacity in the province with strong industry links.
7. **UCNET** to support increased internet bandwidth for regional colleges and university-colleges throughout the province.

8. **IBM Canada Pacific Development Centre Scholarship**, a collaborative scholarship between IBM Pacific Development Centre and the Province of British Columbia to students pursuing computer-related undergraduate degrees.
9. **Paul and Helen Trussell Science and Technology Scholarship** supporting students from the Kootenay-Boundary region pursuing natural and applied sciences undergraduate and Masters degrees.
10. **TRIUMF High School Fellowship** offering a six-week work term for students entering university at TRIUMF, Canada's national particle and nuclear physics laboratory.

The Council communicates and brings awareness of the province's research and innovation capabilities, accomplishments and opportunities to various audiences including students, industry, academia, government and the general public.

Key initiatives include:

1. **BC Innovation Council Awards**, which annually honours the outstanding achievements of five of British Columbia's top scientists, engineers, industrial innovators and science communicators within seven categories.
2. **Student Career Development Program**, which coincides with the Council's annual Awards Dinner to host the 50 regional student science fair winners in the province to a two-day science career program.
3. **Science Achievement Awards** that recognizes the top grade 12 science student at each high-school in British Columbia.
4. A regular newsletter outlining the events of the Council as well as interesting stories and news items related to innovation throughout the province.

Principle Partners, Clients, Market and Stakeholders

The Council develops and implements many of its initiatives in-house. In cases where specialized expertise is required to appropriately carry-out initiatives, it may contract work to outside contractors. In addition, the Council partners with a number of government agencies at the provincial and federal level, research institutions and industry and regional groups to carry-out it activities under its core business areas through sponsorships, contribution agreements and other forms of support. With partnerships being a core value, the Council strives to approach issues in the innovation sector by building and maintaining relationships with various groups including industry, academia and government in managing processes, programs and general activities.

The Council works with a number of volunteers, organizations and professionals to carry-out its activities. Volunteers are an important resource to the Council and deserve special recognition. They include:

- Scientists and research experts who give countless hours to review proposals, participate in workshops and discussions, and provide expert advice on issues pertinent to research and scientific merit;
- Government representatives who provide a broader perspective on critical issues and garner support for various initiatives;
- Representatives from public and private research institutions and labs; and
- Prominent technology entrepreneurs who start, develop and lead some of British Columbia's most successful high-technology companies.

As an organization with a province-wide mandate, the Council serves a number of clients in its principle market defined as the research, technology and innovation sector in British Columbia. The Council's client base includes companies; post-secondary institutions; high-school students; regional science, innovation and technology councils; technology industry awareness groups; federal science and technology agencies; and public and private research labs.

Organizational Overview

Location

The Council's offices are located in downtown Vancouver at the Leading Edge Technology Centre. It is co-located with leading technology industry associations and other complementary organizations that support the research, technology and innovation sector in British Columbia including:

1. Academy for Technology CEO's
2. BC BioProducts Association
3. BC Biotech
4. BC Technology Industries Association
5. BC Technology Social Ventures Partners
6. eLearning BC
7. Leading Edge Endowment Fund
8. Lions Gate Learning Alliance
9. Wireless Innovation Network

As an organization with a province-wide mandate, the Council's activities span British Columbia depending on the program and initiatives undertaken. Its programs and initiatives are open to all clients throughout the province. The Council also relies on organizations outside of the Lower Mainland to deliver quality programs and initiatives in-line with the Council's goals and objectives.

REPORTING CONTEXT

Since its public launch in October 2004, the Council has been in a state of transition as it has taken longer than anticipated to finalize its leadership structure and legislative statute. These needed to be finalized before the Council could move forward operationally, introduce new programs and take on new initiatives to carry out its intended plan for significant growth. It was not until November, 2005 that the Council's inaugural Chief Executive Officer was appointed. Also, in March, 2006 seven additional members received Orders in Council to join, what was up to that point, a two-member board. The Council was also pleased that the amendment to the act that officially established the BC Innovation Council as a legal entity passed Third Reading at the Legislature in March, 2006. Adding to the transition delays was the transfer in June, 2005 of the Council's responsible ministry to the Ministry of Advanced Education and Ministry Responsible for Research and Technology.

The Council is appreciative of the Ministry for working diligently to assist in finalizing the board appointments and status as a legal entity and is excited to begin to accelerate the process of launching new programs and initiatives.

However, the unforeseen delays and uncertainty of timing on these issues have made it challenging to document consistent goals, objectives, strategies and performance measures and targets over the last two Service Plan periods. The period with the most uncertainty was during development of the Updated 2005/06 to 2007/08 Service Plan ("2005/06 Service Plan"). As noted in the 2005/06 Service Plan, it was

> "developed in an environment of uncertainty due to Ministry reorganization and during a major transition at the Council. Therefore, the... 2005/06 Service Plan no longer adequately reflects the Council's or the Ministry's intended strategic direction for the organization. Consequently, it was determined through discussions with the Ministry that a new set of goals, objectives and strategies would more appropriately convey the future direction of Council."

Considering that the Service Plans for years 2005/06 and 2006/07 have undergone significant changes from previous ones, it was determined that it would be appropriate to report the Council's current year performance based on the status quo measurements that were used to report results for 2003/04 and 2004/05. Reporting performance in this way will provide a clearer snapshot of the Council's performance over the last three years and will ultimately align much more effectively with the intent and guiding values of BC's Reporting Principles.

Note that next year's Annual Report will reflect the new measurements outlined in the 2006/07 to 2008/09 Service Plan to signify the Council's "fresh start".

Therefore, in keeping with the principle of full disclosure and taking into account the unique circumstances for this reporting year, the Council in consultation with the Ministry has chosen to:

1. Outline the original goals, objectives, strategies, performance measures and targets of the 2005/06 Service Plan;
2. Detail the reasons why the goals are no longer valid;
3. Outline the new goals, objectives, strategies, performance measures and targets as documented in the 2006/07 Service Plan; and
4. Include results for status quo activities for fiscal year 2005/06 based on the status quo performance measures established in previous years; notably, the 2004/05 to 2006/07 Service Plan.

RATIONALE TO UPDATE GOALS, OBJECTIVES AND MEASURES

The following charts outline the goals, objectives and measures originally outlined in the 2005/06 Service Plan and an explanation for why they were updated in the 2006/07 Service Plan. A summary of the full goals, objectives, measures, targets and strategies from the 2005/06 Service Plan is included in Appendix A.

Goal 1: Effective & Accountable Administration of Science and Innovation Initiatives Funding	
Objective: Develop and implement science and innovation initiatives funding for eligible organizations that together will provide a network of support throughout the province to the innovation sector.	**Reason for Update in 2006/07 Service Plan:** At the time the 2005/06 Service Plan was developed, this goal reflected the transfer of the management of the Science and Technology Fund from the Ministry of Small Business and Economic Development to the Council. As a high-profile fund supporting the base operations of seven science, innovation and technology councils and six university-industry liaison office and technology transfer centres, the Council dedicated the performance of this fund as a separate goal. However upon further reflection when developing the 2006/07 Service Plan, it was determined that a more appropriate measurement would be to not measure the fund itself, but measure the outcome of the fund in relation to the Council's newly established goals.
Measure: • Percentage of recipients achieving the Council's objectives	

Goal 2: Comprehensive Programs & Initiatives to Develop the Economic Potential of the Research and Innovation Sector in BC	
Objective 1: Develop, support and encourage technology transfer and commercialization opportunities for research institutions and industry.	**Reason for Update in 2006/07 Service Plan:** As this goal and objective is important to the core mandate of the Council, it was determined that this objective should be expanded and measured comprehensively as reflected in the 2006/07 Service Plan. This objective is therefore expanded in the most recent Service Plan under: Objective 1.1: Support development of highly qualified personnel and business expertise. Objective 1.2: Enhance technology transfer from research institutions. Objective 1.3: Assist early-stage companies to attract funding. Objective 2.1: Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness. Objective 2.2: Identify and support research and innovation opportunities in British Columbia.
Measure: • Percentage of recipients achieving the Council's objectives	
Objective 2: Lead and support complementary initiatives that put science and technology at the forefront of awareness and thought in the province.	**Reason for Update in 2006/07 Service Plan:** As above, since this objective is an important role for the Council, it was determined that it would be more appropriate to expand the objective into two as reflected in the most current Service Plan as follows: Objective 3.1: Communicate British Columbia's opportunities and achievements in research and innovation. Objective 3.2: Increase exposure of elementary and secondary school students to science and technology.
Measure: • Number of Highly Qualified Personnel in science supported by the Council's activities. • Instances of public recognition of the Council's activities in the context of science and technology in British Columbia. • Number of secondary students participating in the Council's science student development programs	

Goal 3: A Strong Foundation & Organizational Structure	
Objective: Develop an effective leadership and operational structure for the Council.	**Reason for Update in 2006/07 Service Plan:** During the time of the 2005/06 Service Plan development, the merger activities and the process of appointing the board and selecting leadership was underway and the Council determined that its priority was to complete this activity. Having completed these activities and upon further reflection, it was determined that it would not be appropriate as an ongoing measure and therefore was eliminated as a performance measure on the 2006/07 Service Plan.
Measure: • Strategic and operational leadership in place for the Council. • Integration of the financial systems of the two preceding organizations.	

UPDATED GOALS, OBJECTIVES, MEASURE AND TARGETS

As explained earlier, the 2006/07 Service Plan includes revised goals, objectives, measures, targets and strategies that are more reflective of the Council's future plans for significant growth based on its mandate and revised legislative statute. The following charts summarize these new items. Note that the performance targets are consistent throughout all measures and therefore not itemized for each measure. These targets generally follow the pattern of:

2006/07: Establish new baseline for 2007/08 based on planned initiatives

2007/08: Target increase to be determined for 2008/09 in 2007/08.

2008/09: Target increase to be determined for 2009/10 in 2007/08.

Goal 1: Increase the Development and Commercialization of British Columbia-based Technologies	
Objective 1.1: Support development of highly qualified personnel and business expertise. **Measure:** • New measurement to be determined in 2006/07 that quantifies the level of Highly Qualified Personnel and business expertise developed by participants from Council supported activities. **Importance:** This objective and measure is important as it focuses on the importance of highly trained technical researchers and business managers crucial to the development of future innovations and establishment of successful companies.	**Strategies:** • Distribution of scholarships, fellowships and other awards that leverage external sources of funds, industry and other resources to develop and retain research and business expertise in the province's innovation sector; • Reviewing technology companies' areas of critical need in terms of HQP and business expertise, and facilitating access to such individuals, through development and facilitation of recruitment initiatives that leverage external support from federal and industry source; • Developing initiatives that provide for education opportunities for personnel to gain international business expertise in key geographic regions; and • Developing and supporting workshops, publications and other communication methods that educate researchers on the current research needs in various sectors of importance to British Columbia.
Objective 1.2: Enhance technology transfer from research institutions. **Measure:** • New measurement to be determined in 2006/07 that quantifies the amount of and/or qualifies the type of technologies supported by Council that result in either a spin-off company or transfer into an existing company. **Importance:** This objective and measure is important as it focuses effort on much of where innovation is currently occurring in the province: the post-secondary research institutions.	**Strategies:** • Continued funding to UILOs and regional science councils through the S&T Fund; • Partnering with UILOs and research institutions to facilitate cross-institutional development of technology solutions to identified industry needs; • Supporting development of technologies to a more mature stage (adding value to processes and products) at the research institution before they are transferred to industry; • Exploring innovative partnerships with industry, government and international communities to assist in technology transfer; and • Developing research databases in various sectors to inform and facilitate collaborations between industry, government and academia.
Objective 1.3: Assist early-stage companies to attract funding. **Measure:** • New measurement to be determined in 2006/07 that quantifies the value of investments, partnerships, joint ventures and/or significant revenue generation for companies participating in Council's initiatives. **Importance:** This objective and measure is important as it addresses a critical gap experienced by most early-stage companies and also addresses other areas of corporate and technical development in the company such as management expertise, market analysis, intellectual property strategies etc.	**Strategies:** • Investigating options for the Council to address the early-stage investment gap through means such as leveraged funding opportunities, investment funds, joint ventures, or other mechanisms of support; • Creating and leveraging opportunities for management to obtain assistance in preparing for funding, through such programs as formal educational opportunities, expert advice and mentorship support; • Facilitate opportunities for companies to connect with and attract technical expertise and skilled management interprovincially, nationally and internationally; • Creating opportunities that connect companies with investors, partners, sales channels, other technology developers etc across the province, Canada and internationally; and • Facilitate investments from private capital, through such potential initiatives as providing technical due diligence to private investors and hosting trade missions.

Updated Goals, Objectives, Measure and Targets

Goal 2: Enhance Competitiveness of British Columbia's Business Sectors and Research Capabilities	
Objective 2.1: Facilitate BC industry sectors to access, develop and adopt innovative technologies that will enhance competitiveness. **Measure:** • New measurement to be determined in 2006/07 that quantifies the increase in productivity of companies participating in initiatives supported by Council, to address competitive issues. **Importance:** This objective and measure is important as it focuses on the various business sectors as a whole to increase the competitiveness of these industries in international markets. Whereas goal 1 objectives concentrate at a micro level (individual companies and research institutions), this goal concentrates at a macro level (entire business sectors).	**Strategies:** • Identifying the major technology or research needs of the different business sectors, then; • When appropriate, facilitating cross-industry collaborations to address technology or research needs; and • Facilitate development of the research initiatives through various support mechanisms that may include leveraged funding.
Objective 2.2: Identify and support research and innovation opportunities in British Columbia [in relation to non-commercial opportunities (i.e. social, health, environmental) for BC research expertise to make a contribution]. **Measure:** • New measurement to be determined in 2006/07 that quantifies the number of and/or qualifies the area of opportunities identified and underway with Council support. **Importance:** This objective and measure is important as it addresses the importance of the province's research expertise and attempts to take advantage of the non-commercial value of research to benefit the social and/or environmental aspects of the quality of life in British Columbia and beyond.	**Strategies:** • Developing a mechanism or framework to identify opportunities to apply the province's research and innovation expertise; • Developing actionable plans, leveraging on existing capacity and funding from different sources to address the research and innovation opportunities; and • Planning and implementing follow-on strategies for capturing value for BC and BC companies.

Goal 3: Increase Awareness of British Columbia's Research and Innovation Opportunities and Achievements	
Objective 3.1: Communicate British Columbia's opportunities and achievements in research and innovation. **Measure:** • New measurement to be determined in 2006/07 that quantifies and/or qualifies the outcome of the Council's activities in communicating British Columbia's research and innovation opportunities and achievements. **Importance:** This objective and measure is important as it focuses on communicating the research and innovation expertise and opportunities in the province to ensure that a steady flow of interest and awareness is being nurtured with academia, industry and government both inside and outside the province.	**Strategies:** • Developing a provincial communications plan for research and innovation in conjunction with the Province and other organizations; • Providing recommendations and information to the Province of BC, the Government of Canada and other governments on issues related to innovation and commercialization; • Partnering with other organizations to create opportunities to communicate through various media; • Expanding media relations efforts to ensure the leadership and vision of the Council and the Province are an ongoing part of industry coverage; • Publishing a Council newsletter; • Hosting international delegations interested in understanding the research and innovation sector in the province; • Expanding the Council's annual awards program as appropriate; and • Monitoring and leveraging the continued achievements of previous award winners to bring greater recognition to the province.
Objective 3.2: Increase exposure of elementary and secondary school students to science and technology. **Measure:** • New measurement to be determined in 2006/07 that quantifies and/or qualifies the increase in exposure of elementary and secondary school students to science and technology. **Importance:** This objective and measure is important as it develops interest in science to youth at an early age to encourage and nurture a steady flow of post-secondary students into the field of science and business to develop research, innovation and commercialization capacity in the province.	**Strategies:** • Continuing to support science fair foundations and recognition of the province's science fair winners; • Partnering with other organizations to create educational opportunities for students to interact with researchers and technology entrepreneurs; and • Continuing to award the top graduating science student at each British Columbia secondary school with a science prize.

BC INNOVATION COUNCIL OPERATING ENVIRONMENT

The Council considers its internal and external operating environment as it develops, implements and reports on its performance. Because innovation and commercialization is a complex and dynamic process, many factors play a role in the success of an organization that operates within these areas. With a 28 year history, the Council, through its predecessor organizations, has been successful in navigating the external business environment and internal operating environment in which it operates.

External Business Environment

Innovation is widely acknowledged as a major driving force of economic and social benefit. Innovation creates new ideas and turns them into goods and services that can be sold, or processes that can provide companies with a competitive advantage[1]. There is a strong linkage between innovation and economic development. Most innovative industries are proven to have higher productivity, a faster growth rate and higher paying and quality jobs[2]. With increased productivity, society will be able to maintain and raise their standard of living.

While successful innovations have been commonly associated with the high-technology sector, innovation is not exclusive to only this sector. Innovation applies to all sectors in the economy including the traditional goods-producing industries and natural resources sectors in order to create wealth and improve that standard of living amongst British Columbians. As evidence of this, more than 50% of patents granted by the US Patent and Trademark Office are for technologies in the non-high technology industries[3].

Many of the external factors indicate that the Council functions in a relatively stable operating environment with opportunities for growth in specific areas that will further develop British Columbia's innovation sector.

- British Columbia's level of real GDP per capita is fourth among the Canadian provinces.
- Although GDP per capita is below the Canadian average, the overall trend is that it is increasing. British Columbia's annual growth rate of real GDP per capita was ahead of the national average in the last three years.
- Canada ranks 17th out of twenty-three OECD countries in terms of overall productivity.
- Labour productivity in British Columbia is below the national average and overall growth in productivity in both Canada and British Columbia is stagnant.
- Over the last decade, British Columbia's employment to population ratio has been relatively constant at approximately 70% which ranks the province 11th out of 31 jurisdictions.

- BC's high technology sector continues to rise, with high technology GDP rising 4.6% from the previous year, to over $8.3 billion (1997 constant dollars).
- Despite the growth in GDP, employment in the high technology sector in BC fell 2.4% last year.
- Predicted that available venture capital funding will begin to decline in 2010[6].

- Canada's private investment in research and development is 53% and declining; compared to the 70% benchmark for OECD countries[7].
- In 10 years preceding 2002, the largest increase in Canada in research and development spending as a percentage of GDP was British Columbia at 37% increase[8].
- Canada ranks 18th out of 29 OECD countries in graduation rates at a doctoral level[9].

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1 The Conference Board of Canada. "Exploring Canada's Innovation Character: Benchmarking Against Global Best". June 2004. page i
2 Ibid. page 2.
3 Andrew Reamer, Larry Icerman, Jan Youtie. "Technology Transfer and Commercialization: Their Role in Economic Development"
US Department of Commerce. 2003. page vii-viii
4 All figures in this section from BC Progress Board. "Fifth Annual Benchmarking Report". December 2005
5 All figures in this section except where noted otherwise is from BC Stats & Leading Edge BC. "Profile of the British Columbia High Technology Sector". January 2006
6 National Research Council. "Looking Forward: S&T for the 21st Century". August 2005
7 Ibid.
8 BC Progress Board. "Fifth Annual Benchmarking Report". December 2005. page 81
9 OECD. "Science, Technology and Industry Scoreboard 2005"

- $224 million was allocated from the 2006/07 Government of British Columbia budget towards research and innovation in addition to $130 million over the next three years in post-secondary seat expansion.

The external business environment was advantageous for the Council in 2005/06. With a relatively strong economy and a recognized need to further support innovation in the province, the Province of BC forwarded $50 million for a Natural Resources and Applied Sciences Endowment Fund to the Council.

With the strong interest in innovation and commercialization, the Council continually receives requests for support of early-stage companies and looks forward to developing appropriate programs to encourage private investment into these types of companies. Moreover, the overall interest in the technology community to showcase innovation has enabled the Council to continue its recognition program and student awareness.

In addition, with the need for further resources directed at developing research capacity in the province, the Council was able to support a number of research projects and coordinate research opportunities through its various research funds and sector development work.

Most importantly, the growing interest in companies to compete internationally has encouraged the Council to establish an Office of International Partnerships that will assist companies enter new markets and form research project partnerships with international researchers.

The challenge for the Council moving forward however is rationalizing the performance of British Columbia's economy with the technology sector in the province. Although the economy is relatively strong, the high technology employment rate has dropped, British Columbia's productivity is in need of improvement, and Canada's flow of graduates at the doctoral level is lower than other comparable countries. However, these are the areas in which the Council sees opportunities as it moves forward to leading the further development of the innovation sector in the Province. As such, many of the Council's revised goals and objectives outlined in the 2006/07 Service Plan reflect these very issues.

Internal Operating Environment

As outlined, for the past two years, the Council has been in a state of transition as it changed Ministries and finalized its leadership structure and status as a legal entity through an amendment of a previous Act. This delayed the development of new programs and initiatives. However, now that a full board has been appointed and the legislative statute had been passed at the close of the fiscal year, the Council looks forward to finalizing a strategic plan with the board and expanding significantly, commensurate with the broad mandate it has been given by the Province to lead the development of the innovation sector in British Columbia.

Challenges and Risk

The major challenges this year have largely been resolved and include the major issues as noted previously.

In June 2005, the Ministry to which the Council is responsible was changed from the Ministry of Small Business and Economic Development to the Ministry of Advanced Education. The change in Ministry caused some delays as an updated Service Plan was developed. In addition, new relationships also needed to be developed. With the new Ministry however, additional board members were appointed and the legislative Act under which the Council operates was finalized.

In November, 2005, the Council selected its inaugural Chief Executive Officer, Dr. David Dolphin. In any situation when a new senior officer joins an organization, there is a period of familiarization that extends the time under which the development of the organization progresses.

As noted above, for the entire fiscal year, the Council operated with two board members and under the legislative act applicable to its predecessor organization. Operating with less than a full board and without a proper amendment to the Act meant that the Council was delayed in moving forward with developing long-term plans.

The Council has been operating for the last several years at a consistent staff level. Performing to the reporting period's level with a staff of thirteen professionals is adequate. However, the challenge is managing the high external expectations for growth and expansion in the midst of constant budget levels and therefore staff levels.

The Council secures its revenues from various sources including contributions from the Province of British Columbia as well as other funding organizations for project-specific and/or program delivery services. In light of fiscal restraint and the many priorities of the Council's various funders, the securing of funds to support an expansion is a challenge.

REPORT ON PERFORMANCE RESULTS

As noted previously, the Council has been in transition during the last two years and therefore has largely operated on a status quo level. The goals, objectives, performance measures and targets established under the 2005/06 Service Plan were completed during a time of uncertainty as to the future direction of Council. When the 2006/07 Service Plan was being developed, the Council and Ministry agreed that it would be appropriate to revise the goals, objectives, performance measures and targets to better reflect the strategic direction of the Council.

Therefore, the Council in consultation with the Ministry determined that it would be appropriate to measure the final year of status quo activities against the status quo performance measures established before the significant changes had taken place.

GOAL 1: IMPROVED SCIENCE & TECHNOLOGY-BASED INNOVATION AND DEVELOPMENT

Objective 1.1 To increase successful research, technology transfer and commercialization activities in key sectors of the economy

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
Progress in the assessment and development of recommendations to improve technology transfer systems.	Milestones in efforts to improve technology transfer systems and processes.	No interest from potential partners on this. No assessment initiated.	Put on hold. It was determined that recommendations would be brought forward once the new strategic plan is finalized.	Delayed due to transition as noted in 2004/05. Will revisit the appropriateness of this measure in 2006/07.	Follow-up/new study initiated as appropriate.
Sectoral development priorities established for advancing science-based opportunities.	Milestones in efforts to determine science and technology needs and opportunities in the development of key sectors of the economy.	Sectors identified:	Sectors identified: - Aquaculture - Oceans / marine - Health products & functional foods - Bioproducts	Sectors identified: - Aquaculture - Oceans / marine - Health products & functional foods - Agri-Food and Bioproducts	Sectoral priorities reviewed / identified.
		- Projects selected and implemented - Administrative support provided to BCARD Committee	- Ten Aqua E-Fund projects selected and implemented - Administrative support provided to BCARD Committee	- Six Aqua E-Fund projects selected; - Development of a national aquaculture portal; - Administrative support provided to BCARD Committee	Projects selected and implemented; administrative support provided to BCARD Committee
		Cluster Development Action Plan: Ocean / marine.	- Four priority areas identified in oceans/ marine sector. Three proposals prepared with partners. Two reports on oil and gas development.	- Three projects initiated; Continued to be the main point of access for oceans sector development in the province.	Ocean and marine sector development pilot projects complete and policy direction developed. Oceans technology cluster development projects initiated.
Research and development / science and technology program delivery contracts directly managed.	Number of contracts entered with external funding for the management of specific research, or science and technology projects.	4 - Aqua E-Fund - EEP - IBM Scholarship - STIP	2 - Aqua E-Fund IBM Scholarships	3 - Aqua E-Fund IBM - Agri-Food & Bioproducts	3
Research and development / science and technology funding processes participated.	Number of funding programs where Council administers the project selection process using its competence and infrastructure.	3 - TRIUMF Fellowship - Trussell Scholarship - HPFF	4 HPFF - Bioproducts - TRIUMF Fellowship Trussell Scholarship	3 HPFF - TRIUMF Fellowship - Trussell Scholarship	3

in the previous year, the Council assisted in establishing the BC Bioproducts Association, an industry association that serves as a voice for the sector in province. A separate society was registered, but the Council maintained its assistance by providing financial administrative support for the organization. Once the Association's staff was in place and capacity to handle the financial administrative duties were developed, Council transferred the funds the Province had contributed toward the Association and concluded its administrative support.

The Council continued to administer the Aqua E-Fund and funded six projects including:

1. A shellfish particulate matter study;
2. Four projects related to finfish health;
3. One aquaculture waste management study.

Goal 1: Improved Science & Technology-based Innovation and Development

During the latter part of the fiscal year, the Council also issued a request for proposals from research institutions to submit proposals naming a scientist who would receive $200,000 in Council funding through the Aqua E-Fund to leverage with other sources in order to develop and conduct a five-year research program in aquaculture. Announcement of four award winners will be made in fiscal year 2006/07.

All of the Council's aquaculture initiatives are developed and managed by the BC Aquaculture Research and Development Committee, a Council committee composed of industry, government and academia representatives that coordinate and encourage independent research in the sector. The Committee meets four times a year and meets an additional four times per year to manage the Aqua E-Fund.

During the fiscal year, the Council initiated three projects in the oceans sector:

1. Co-developed the Cooperative Ocean Innovation network (COIN) with the Province of BC and the University of Victoria that serves as a hub of the west coast Ocean Technology Cluster. The Council has continued to take a leadership role in COIN by providing a founding director, developing its governance model and establishing the COIN cluster partnership office.
2. Founding organization of the Ocean Science and Technology Partnership (OSTP). A west coast initiative, OSTP is a National Organization that represents the Ocean Technology Clusters in BC (COIN), Newfoundland, Nova Scotia, New Brunswick, and Quebec. OSTP is currently chaired by a director of COIN and provides policy and program advice to the Government of Canada, various regional governments and provincial governments. OSTP links the regional Ocean Technology cluster across Canada and has been instrumental in developing business and research collaborations between cluster members.
3. Led the development of Maritime Security Demonstration Project Feasibility project. This project, funded by Western Economic Diversification, BC Ministry of Transportation and Industry Canada, is a follow-on to the Council's previous work entitled "Maritime Security - Opportunities for Small and Medium Enterprises" completed last year. The current project will engage the technology cluster together with regulators, users of security technology, academia and funding agencies to construct the specifications and funding options for a national port security demonstration project to be constructed in British Columbia.

During the year, the Council also received $3.5 million in funding to establish a fund for the agriculture, food and bioproducts sector. The terms of reference are currently being developed and the Council anticipates announcing further plans in the near future.

All targets were met in the fiscal year.

Goal 1: Improved Science & Technology-based Innovation and Development

Objective 1.2 To increase access of British Columbia research and technology organizations and companies to new international science and technology opportunities

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
British Columbia companies / organizations involved in international science / technology initiatives.	Number of BC companies that participated in science and technology initiatives such as missions, exchanges, briefings, seminars.	Targets set at 500	Activities minimized to reflect changed mandate.	Activities minimized to reflect changed mandate.	500
Foreign companies / organizations involved in international science / technology initiatives.	Number of foreign companies and organizations that participated in science & technology initiatives such as missions, exchanges, briefings, seminars.	Target set at 200	Activities minimized to reflect changed mandate.	Activities minimized to reflect changed mandate.	200

As outlined in the 2004/05 Annual Report, international activities were minimized during the transition years and therefore the targets did not apply to the fiscal year. However, the Office of International Partnerships was developed at the end of the reporting year to fill the need in the technology community for a bridge for British Columbia companies into international markets. Led by Ms. Cindy Lum, the first initiative was an MOU signing between the Council, representing British Columbia and the People's Republic of China. The initial focus of the MOU is to develop and implement projects in the oceans and biotechnology sector. The intention is to not only bring business to British Columbia companies but provide a conduit of international investment into the province as well.

Goal 1: Improved Science & Technology-based Innovation and Development

Objective 1.3 Increasing understanding of and benchmarking British Columbia performance in technology transfer and innovation

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
Instances of advice / recommendations provided to government (briefing / advisory notes, special reports).	Number of special reports, briefing notes prepared for the Council board, Ministry and others to provide advice on science and technology matters.	5 reports: – 4 reports on general high-tech issues in the province – 1 report on ocean cluster development in BC	5 reports: – 2 on offshore oil and gas development – 3 on bioproducts	4 reports: – 1 on commercialization – 2 on needs of the innovation sector – 1 on oceans sector	4
Events initiated to facilitate collaborations among science and technology organizations.	Number of roundtables, workshops and meetings initiated to encourage collaboration among science and technology organizations.	17 meetings: – 12 on oceans technology development – 2 on student careers – life sciences analysis – science in the public – science and technology survey	5 events: – 3 on aquaculture research – 2 on oceans sector development	6 events: – 1 on commercialization – 1 MOU signing with international collaborators – 4 on oceans sector development	4

Four reports, briefing notes and presentations (as targeted) were prepared for government. They include:

- Summary of a commercialization roundtable discussion;
- Two presentations to the Council board and Ministry of Advanced Education on the needs of the innovation sector;
- One oceans sector report titled "The Path Forward - A Plan from Canada in the World of Renewable Ocean Energy"

Two more events than the targeted four were initiated by Council to facilitate collaboration with science and technology organizations.

- Commercialization roundtable with key research and commercialization government agencies to discuss commercialization opportunities in British Columbia;
- MOU signing on research and commercialization cooperation with the People's Republic of China;
- Defence Research and Development Canada (DRDC) Industry Days to facilitate collaboration between cluster companies and DRDC;
- COIN Forum to engage members of the ocean technology community to seek funding assistance in the development of the COIN concept and the development of a partnership Office to serve as the Ocean Technology Cluster hub;
- Ocean Renewable Energy Development Workshop with OREG (Ocean Renewable Energy Group) that resulted in the creation of the Federal Ocean Energy Working Group (FOEWG), a federal interdepartmental liaison between the Government of Canada, the ocean renewable energy industry and provincial governments.
- Offshore Technology Conference where the Province, Ocean Industries BC and the Council organized and directed British Columbia's participation in this event

GOAL 2: INCREASED STREAM OF STUDENTS PURSUING POST-SECONDARY EDUCATION IN SCIENCE & TECHNOLOGY

Objective 2.1 Supporting scholarships in science and technology

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
Students supported.	Number of students awarded scholarships for post-secondary education to support students pursuing studies in science and technology.	12	42	21	12
British Columbia high schools contacted to participate.	Percent of schools with Grade 12 students that were sent information packages on science careers and support programs.	100%	100%	100%	100%

Nine more students than targeted were supported in the fiscal year. Twenty students were renewed for IBM Scholarships and one student was awarded a TRIUMF Fellowship.

All high schools in the province (as targeted) were contacted to make Grade 12 students aware of the TRIUMF Fellowship opportunity.

Objective 2.2 Promoting career decisions in research, science and technology

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
Students invited to participate in career development program.	Percent of BC students who participated at the Canada-Wide Science Fair and who were invited to participating in the career development program to encourage interest in science careers.	94%	100%	100%	100%
Student value rating of career development program.	Percent of students who respond positively that the program was valuable and effective in demonstrating career options in science and technology.	85%	Survey returns did not facilitate a statistically accurate assessment.	98%	80%

Each year the Council hosts the British Columbia representatives at the Canada-Wide Science Fair for a two-day career development event (called the Student Career Development Program) where these high-school students tour research facilities in the Lower Mainland, participate in a networking event with leading scientists and culminates in their attendance of the Council's annual Awards Dinner where they are able to meet the province's leading innovators, technology entrepreneurs and science communicators.

The student participants are asked to complete a survey and for this reporting period, 98% of the participants positively reported that the event demonstrated career options in science and technology.

GOAL 3: INCREASED PUBLIC AWARENESS OF SCIENCE & TECHNOLOGY

Objective 3.1: Promoting science and innovation provincially

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
Subscriptions to BCIC Newsletter	Number of subscribers to BCIC Newsletter which aims to address the information needs and interests of client groups.	3,200	9,800	10,300	2,500
Council website visitors per month	Average number of visitors per month to the Council's Website, indicating interest and awareness in Council and science and technology programs / activities.	5,800	13,000	13,000	5,000
Instances of supporting activities	Number of organizations sponsored or funded to pursue science and technology activities complementary to Council priorities.	11	10	19	10

The Council's newsletter has a subscription base of 10,300, 7,800 more than targeted. Announcements are circulated to the subscriber base for all press releases issued. The Council continues to maintain an average of 13,000 website visitors per month.

The Council supported nine more organizations than targeted. This is the first year of the Council's management of the S&T Fund. The Fund supports:

Regional Science & Innovation Councils	Region
Innovation Resource Centre	North – Central Interior
Interior Science & Innovation Council	Central Interior (Thompson – South Cariboo)
Kootenay Association for Science & Technology	West Kootenay & Boundary
Mid-island Science, Technology & Innovation Council	Vancouver Island – Sunshine Coast
Okanagan Science & Technology Centre	Okanagan
Northwest Science & Innovation Council	Northwest BC
Sci-tech North	Peace Liard – Stikine
University - Industry Liaison Offices	**Region**
Malaspina University-College	Vancouver Island – Sunshine Coast
Simon Fraser University UILO	Lower Mainland
Thompson Rivers University UILO	Central Interior (Thompson – South Cariboo)
University of British Columbia UILO	Lower Mainland & Okanagan
University of Northern British Columbia UILO	North – Central Interior
University of Victoria UILO	Greater Victoria

In addition, the Council supported, through sponsorships, the following organizations and/or events:

1. BC Science Teacher's Association Science Achievement Awards
2. BC Biotech Awards
3. BCTIA Technology Impact Awards
4. PMC Sierra Science Fair Fun Run
5. Science Fair Foundation
6. Canada-Wide Science Fair

Goal 3: Increased Public Awareness Of Science & Technology

Objective 3.2 Increasing public recognition of science excellence

Performance Measure	Definition	2003/04 Actual	2004/05 Actual	2005/06 Actual	2005/06 Target
Nominations received for Council Awards	Number of nominations received at deadline, reflecting overall awareness and prestige of the recognition program.	39	31	52	35
Ticket sales for Council Awards Dinner	Percent of tickets sold for the Awards Dinner, reflecting interest and support of the science and technology community.	100%	100%	100%	100%
Council Awards Dinner final cost after ticket sales	Total cost of holding the Awards Dinner less ticket sales and cash contributions from sponsors.	$0	$0	$0	$0
Students given special recognition for science achievement	Number of students who received from Council special awards to promote science awareness among students.	325	325	325	300

An important component of science, technology and innovation awareness is the recognition of British Columbia's leading researchers, scientists, science communicators and technology entrepreneurs at the province's premier awards event, which attracts 750 guests annually. Widely considered to be British Columbia's highest form of recognition for science, technology and innovation, the annual Awards Dinner raises the profile of the province's world-class innovation economy.

In the fiscal year, the Council received its highest number of nominations for its Awards program; 17 more than targeted. The Council also received increased media attention for its Awards program by securing 62 pieces of coverage: 3 television stories; a two-week sponsored radio campaign from CKNW Radio; 17 print/announcements; and 41 online articles/announcements. This growth in media coverage allowed the Council to expand its awareness channels for profiling the province's innovation sector.

This year also saw the introduction of a new award, the Lieutenant Governor's Technology Innovation Award. It recognizes an individual or small team who has developed a highly innovative, new technology based on applied research conducted in British Columbia. The demonstrated technology will have had a positive impact upon the Province (i.e. social, economic, and/or environmental) with the potential of also being recognized on a national or international basis. The winner of this year's award is Dr. Nigel Livingston for his leadership role in establishing the University of Victoria Assistive Technology Team (UVATT), a group of faculty, staff, students and community volunteers who develop devices for the disabled.

The winners of the 2005 Awards are:

Award Winner	Category
Dr. Nigel Livingston, Founding Director of the University of Victoria Assistive Technology Team (UVATT) and Biology Professor at University of Victoria	Lieutenant Governor's Technology Innovation Award
Dr. Max Blouw, Vice President of Research at University of Northern British Columbia	BC Science and Technology Champion of the Year Award
Dr. William Hunter, President and CEO of Angiotech Pharmaceuticals, Inc.	Cecil Green Award For Technology Entrepreneurship
Dr. Walter Hardy, Physics Professor at University of British Columbia	Chairman's Award for Career Achievement
Dr. Penny Le Couteur, Dean of Arts and Sciences at Capilano College	Eve Savory Award for Science Communication
Dr. Mario Pinto, Professor of Chemistry and Vice President of Research at Simon Fraser University	Frontiers in Research Award
Dr. Jian Pei, Assistant Professor in the School of Computing Science at Simon Fraser University	Young Innovator Award

Through the BC Science Teacher's Association Science Achievement Awards and the Student Career Development Program, the Council supported 25 more students than the targeted 300 in the fiscal year.

PERFORMANCE MANAGEMENT SYSTEMS

The Council's performance management systems are designed to provide efficient and practical measurement of its progress in attaining objectives. All the Council's performance measures are collected and maintained in-house and reviewed on a periodic basis throughout the year. Databases are maintained for each program and initiative so that data is gathered on an ongoing basis. In cases where the Council supports initiatives implemented by other complementary organizations, the Council requests appropriate records are maintained and reported back as a condition for support. Accuracy of the data is ensured by establishing guidelines defining the measurement so that data is allocated consistently to the appropriate measure.

The Council ensures that chosen measurements are quantifiable and appropriately measures the related objective. By doing so, there is assurance that if the targets are met, then it follows that the objectives have been met and therefore the goals have been achieved.

As the Council delivers incomparable programs and initiatives to other organizations, benchmarks are not available to comparably measure the performance of the Council to other organizations.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Province of British Columbia has established its five great goals for a golden decade. The Council fulfills these goals in the following ways.

Government's Goals within Strategic Plan	BC Innovation Council's Activities
To make B.C. the best educated, most literate jurisdiction on the continent.	The Council develops science and technology expertise in British Columbia by supporting, encouraging and communicating with elementary to graduate students pursuing science, research or technology entrepreneurship.
To lead the way in North America in healthy living and physical fitness.	Science and research play a major role in healthy living. The Council supports research and innovation in these fields to contribute toward breakthroughs in health research and support of the development of health related technologies.
To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.	The Council's awareness and recognition initiatives have highlighted the leaders in research and innovation who play a major role in addressing social needs in society.
To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.	The Council recognizes the need for further research to bring credible scientific information to deal with environmental management issues. Its activities in the aquaculture, bioproducts and oceans/marine sectors are a beginning and the Council intends to support and encourage further initiatives toward this goal.
To create more jobs per capita than anywhere else in Canada.	Jobs in the research and innovation sector bring value to the province's economy and way of life. Development of the sector creates more demand for higher paying, more technically oriented jobs for British Columbians. By developing the sector further, the Council will ensure that more jobs are available for British Columbians.

FINANCIAL REPORT

Management Discussion and Analysis

This Management Discussion & Analysis (MD&A) of the BC Innovation Council should be read in conjunction with the financial statements and accompanying notes. This MD&A contains forward-looking statements, including statements regarding business and anticipated financial performance of the Council. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated in the forward-looking statements.

The following charts summarize revenues and expenses by core business area.

Revenues	
Sector Development	$ 5,617
Program Management	51,210
Communication	139
Total	**$ 56,966**

Expenses	
Sector Development	$ 3,859
Program Management	1,010
Communication	204
Total	**$ 5,073**

The Council's financial statements for 2005/06 reflect the constant base funding for operations provided by the Province of BC for the past two years. The next chart provides a summary comparison of actual and budgeted revenues and expenditures.

Financial Report

	2003/04 Actual	2004/05 Actual	2005/06		
			Actual	Budget	Variance
Revenue					
Province of BC					
Base Operating Funds	$ 1,300	$ 3,268	$ 3,268	$ 3,268	$ -
Science & Technology Fund			1,964	1,964	
Natural Resources & Applied Science Research Endowment Fund			50,000		50,000
Interest	34	20	167	25	142
Other	3,241	2,036	1,567	2,500	(933)
Total Revenues	**$ 4,575**	**$ 5,324**	**$ 56,966**	**$ 7,757**	**$ 49,209**
Expenses					
Award Expenditures	$ 100	$ 100	$ -	$ -	$ -
Internal Programs	260	228	236	3,241	(3,005)
Other Programs					
Science & Technology Fund			1,964	1,964	
Sector Development	1,461	946	1,178	1,100	78
International	861	1,613	44		44
Other Scholarship	20	2	3	-	3
Salaries & Benefits	997	970	1,025	1,000	25
Rent	206	220	161	152	9
Other Operating	398	562	462	300	162
Interest	4				
Total Expenditures	**$ 4,307**	**$ 4,641**	**$ 5,073**	**$ 7,757**	**$ (2,684)**
Excess (Deficiencies)	**$ 268**	**$ 683**	**$ 51,893**	**$ -**	**$ 51,893**

Overall, revenue for the Council increased in 2005/06 compared to the previous year.

The increase was mainly due to new revenue received from the Province to establish the Natural Resources & Applied Science Research (NR&AS) Endowment Fund. As an endowment, the principal is not to be expended. As the funds were transferred to the Council at the end of the fiscal year, the Endowment program cannot be launched until additional funds are earned on the principal.

Additional revenue was also received during the year from the Province for the Science and Technology Fund to support eligible organizations with their core operating expenses to administer projects and initiatives that complement the Council's mandate.

The Council's base budget remained unchanged from the prior year. Revenues from other sources decreased due to a decrease in sector development and award activities. Other revenues are primarily related to funds received to manage and disburse funds under the various research and industry development funds including the Aqua E-Fund and the Health Product & Function Food Fund.

Overall, expenditures in 2005/06 were comparable to the prior year. New expenses were incurred due to the Science and Technology Fund. Award expenditures decreased due to a reprioritization of the Aqua E-Fund program objectives.

Financial Report

International expenses decreased significantly due to a change in priorities in international activities. As reported in last year's annual report, the Council withdrew from the PEARL2 program. The Council then shifted its focus to the establishment of the Office of International Partnerships. As the office is a new initiative of the Council, financial reporting of the office has been consolidated as current costs are immaterial. Sector development expenses increased due to the payment of commitment agreements entered into from the previous year. However, as noted above, revenues from these activities decreased for the year.

Staffing positions remained stable at 13 FTEs as at year-end.

Consistency with Service Plan

Each year, the Council's Service Plan is prepared for presentation to the British Columbia Legislature under the Budget Transparency and Accountability Act. The plan outlines the Council's goals, objectives, and key strategies, along with the results it expects to achieve for the following three-year period. The Council's 2005/06 financial results will be reported with reference to the 2005/06 Updated Service Plan.

The Council's base budget remained unchanged for fiscal year 2005/06.

Overall, the Council's performance has been in-line with budgeted amounts.

Revenue was received from the Province of BC for the establishment of the NR&AS Endowment Fund, for which Council had not budgeted. Revenues from other sources were lower than budgeted due to a decrease in sector development and award activities.

Internal program expenses were lower than budgeted as these activities have been reduced until the Council has finalized its strategic and operational plan. Other operating expenses were higher than budgeted due to work performed on the Council's strategic and operational plan.

Risk and Capacity

The Council assesses and manages risk and capacity. As an integral part of its planning process, goals, strategies, and performance measures are developed to mitigate or reduce risk. The primary risk associated with the financial performance is the level of contributions the Council receives from its principle funders. With growing fiscal restraint of the Council's funders, the Council's operations are very sensitive to the level of support secured on an annual basis. Strategies to mitigate this risk include continued communication with the Council's current and potential funders to continue raising awareness of the level of support required as well as developing strategies that see the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources.

With the establishment of the NR&AS Endowment Fund, interest rate risks become more significant since the policy for the Fund is to guarantee preservation of the principal. To maximize the return while meeting the requirement of no risk to capital, the Council has adopted an investment policy with fixed rate investments with laddered maturity dates.

Future Outlook

The Council's financial position continues to be strong as indicated by the current ratio (ratio of current assets, excluding the $50M receivable for the NR&AS Endowment Fund, to current liabilities) of 7.57.

It is expected that the Council will be expanding its operations significantly over the next several years to properly fulfill the broad mandate it has been given by the Province. The Council will be managing the NR&AS Endowment Fund and the investment income earned on these funds for the foreseeable future.

As the Council implements its strategic and operational plan, there will be changes to the organizational structure as well as an increase in expenses due to new programs and initiatives. Operating costs will therefore increase to accommodate the increase in business activity and complexity of operations. However, if funds are not successfully secured to pay for these increases in expense, the activity level will be scaled back in order to prevent the Council from carrying debt.

Financial Report

Statement of Management's Responsibility

The financial statements of the BC Innovation Council are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at April 14, 2006. The financial statements have also been reviewed by the Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Council's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditor's Report, Audited Financial Statements and accompanying notes to the financial statements are included in Appendix B.

Hector MacKay-Dunn, Q.C
Chair

Dr. David Dolphin
Chief Executive Officer

June 15, 2006

CORPORATE GOVERNANCE

The Lieutenant Governor in Council through Order-in-Council appoints the members of the Council board and designates the chair from among the board members. An additional seven individuals received Order-in-Council this year bringing the total board membership to nine.

The Chair is the head of the Board, and through the Minister of Advanced Education and his capacity as Minister Responsible for Research and Technology, reports to the British Columbia Legislative Assembly. The executive management team consists of the Chief Executive Officer and the Chief Operating Officer, who jointly share the role encompassing both personnel and operational issues.

The board serves in the following capacities:

- Setting the strategic direction and approving appropriate plans from management;
- Recruiting, empowering and monitoring the executive management;
- Shepherding / safeguarding the Council's resources including approving major financial decisions, ensuring internal controls are in-place and address areas of risk; and
- Measuring corporate performance and accounting regularly to the stakeholder including complying with applicable laws and maintaining ethical standards.

As at March 31, 2006 the board members are:

- Hector MacKay-Dunn, QC (Chair)
- Greg Aasen
- Dr. Max Blouw
- Jock Finlayson
- Richard Glickman
- Dr. Ken Higginbotham
- Greg Kerfoot
- Dr. Tim Walzak
- Dr. Alan Winter

Board Committees

The Audit Committee reviews and recommends the acceptance of annual financial statements and the Auditor's Report. The Audit Committee helps to ensure that internal controls are properly designed and performed and that the external audit function has been effectively carried out. The Committee also appoints the Council's auditors.

Board meetings with the new members will begin in fiscal year 2006/07. At that time additional committees will be formed based on the determination of the Chair.

Governance Principles

The Council's board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate. These principles include:

- Stewardship, leadership and effective functioning of the board;
- Clarity of roles and responsibilities;
- Openness, trust and transparency;
- Service and corporate citizenship;
- Accountability and performance; and
- Value, innovation and continuous improvement.

Corporate Governance

Governance Disclosure

The Council is currently finalizing its governance documents and related disclosure practices. Since a full board was only appointed in the end of the fiscal year, and since a first board meeting with the new members is forthcoming, the board has not yet had an opportunity to review and approve the Council's new governance documents. However the following documents are being finalized and the Council anticipates being able to publish them in the very near future.

- Board Composition and Succession
- Board Responsibilities
- Committees
- Audit Committee
- The Board Chair
- Individual Directors
- The Chief Executive Officer or President
- Corporate Secretary
- Code of Conduct and Ethics
- Orientation and Professional Development
- Board, Committee and Director Assessment
- Communications Strategy

Senior Management Team

The Council's senior management team as of March 31, 2006 consists of:

- Chief Executive Officer — Dr. David Dolphin
- Chief Operating Officer — Cindy Lum
- Director of Programs — Sam Nakai
- Director of Finance & Administration — Wilson Chao
- Director of Business Development — vacant

APPENDIX A: SUMMARY OF GOALS & MEASURES: 2005/06 UPDATED SERVICE PLAN

Goal 1: Effective & Accountable Administration of Science and Innovation Initiatives Funding

Objective: Develop and implement science and innovation initiatives funding for eligible organizations that together will provide a network of support throughout the province to the innovation sector.

Measure	2005/06	2006/07	2007/08
Percentage of recipients achieving the Council's objectives.	N/A*	Establish baseline.	Target percentage increase of fund recipients achieving objectives to be determined in 2006/07.

Strategies

- Continued communication with recipients to assess and re-assess their outcomes and results;
- Adopt evaluation criteria that quantitatively and qualitatively measure the effectiveness of the activities carried out by recipients;
- Promote the availability of funding to eligible organizations and encourage creative collaborations and proposals.

Goal 2: Comprehensive Programs & Initiatives to Develop the Economic Potential of the Research and Innovation Sector in BC

Objective 1: Develop, support and encourage technology transfer and commercialization opportunities for research institutions and industry.

Measure	2005/06	2006/07	2007/08
Number of collaborations between research institutions and industry with Council involvement.	Establish new baseline of instances of Council involvement in research institutions and industry collaboration.	Target percentage increase in Council involvement to be determined in 2005/06.	Target percentage increase in Council involvement to be determined in 2005/06.
Percentage of above collaborations with successful licensing agreements.	Establish baseline of percentage.	Target percentage increase to be determined in 2005/06.	Target percentage increase to be determined in 2005/06.
Number of entrepreneurial skills development opportunities for the research and innovation sector organized or supported by the Council.	Establish baseline of total participants in skills development initiatives organized or supported by the Council.	Target increase in the number of participants to be determined in 2005/06.	Target increase in the number of participants to be determined in 2005/06.

Strategies

- Facilitate an effective knowledge transfer between research institutions and industry;
- Accelerate the process of capturing and bringing marketable innovation in other marketplace;
- Encourage and develop the entrepreneurial spirit of British Columbia scientists and researchers;
- Enhance the development of the province's industrial and technology cluster in consultation and collaboration with the Province;
- Promote the benefit and market opportunities from applying innovative technologies to the traditional resource-based industries;
- Identify gaps (i.e. funding, development, technological assessment, etc.) in the commercialization chain and develop solutions to bridge these gaps;
- Provide market intelligence for key geographical markets in consultation and collaboration with the Province;
- Provide support for business development by linking entrepreneurial and corporate business expertise with companies.

Objective 2: Lead and support complementary initiatives that put science and technology at the forefront of awareness and thought in the province.

Measure	2005/06	2006/07	2007/08
Number of Highly Qualified Personnel* (HQP) in science supported by the Council's activities.	Establish new baseline of supported HQP	Target increase in number of HQP supported to be determined in 2005/2006	Target increase in number of HQP supported to be determined in 2005/2006
Instances of public recognition of the Council's activities in the context of science and technology in British Columbia.	Establish baseline of instances of public recognition	Target percentage increase to be determined in 2005/2006	Target percentage increase to be determined in 2005/2006
Number of secondary students participating in the Council's science student development programs	Establish new baseline of student participation	Target increase in number of student participation to be determined in 2005/2006	Target increase in number of student participation to be determined in 2005/2006

Strategies

- Ensure that science and technology remains a high priority in government;
- Identify opportunities to ensure that a supportive regulatory environment for an innovative economy exists;
- Ensure a continuous investment in people (i.e. education systems) and research infrastructure;
- Initiate and support science and technology awareness programs to spark our youth's interest in science and technology;
- Find ways to attract and retain science students, scientists, researchers and technology entrepreneurs to the province in consultation and collaboration with the Province.

Appendix A: Summary Of Goals & Measures: 2005/06 Updated Service Plan

Goal 3: A Strong Foundation & Organizational Structure			
Objective 1: Develop an effective leadership and operational structure for the Council.			
Measure	2005/06	2006/07	2007/08
Strategic and operational leadership in place for the Council.	100% complete	100% complete	100% complete
Integration of the financial systems of the two preceding organizations.	75% integration	100% integration	100% integration
Strategies • Ensure appropriate Board membership based on the Council's new mandate, initiatives and activities; • Executive management accountable to predetermined goals and performance criteria; • Consult with appropriate technology sector groups in developing an effective operational plan; • Adopt best practices in the development of the financial systems to ensure integrity and accountability; • Participate in the development and implementation of a province-wide strategy for research, innovation and technology development.			

APPENDIX B: AUDITOR'S REPORT AND FINANCIAL STATEMENTS

BRITISH COLUMBIA INNOVATION COUNCIL

FINANCIAL STATEMENTS

31 MARCH 2006

ROLFE, BENSON
CHARTERED ACCOUNTANTS

BRITISH COLUMBIA INNOVATION COUNCIL

Financial Statements

For the Year Ended 31 March 2006

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ROLFE, BENSON
CHARTERED ACCOUNTANTS

ROLFE, BENSON | CHARTERED ACCOUNTANTS*

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*a partnership of incorporated professionals

AUDITORS' REPORT

To the Board of Directors of the British Columbia Innovation Council
and to the Minister of Advanced Education, Province of British Columbia

We have audited the statement of financial position of the British Columbia Innovation Council as at 31 March 2006 and the statements of operations and appropriations, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Rolfe, Benson
CHARTERED ACCOUNTANTS

Vancouver, Canada
14 April 2006

AGN INTERNATIONAL

BRITISH COLUMBIA INNOVATION COUNCIL
Statement of Financial Position
31 March 2006

	Funds (Note 2): General		Base		B.C STIP		Health Product & Functional Food		S&T		NR&AS Research Endowment		Property & Equipment		Totals	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Assets																
Current																
Cash and short-term investments (Note 11)	7,071,083	3,109,919	1,858,590	742,723	-	-	121,466	-	39,744	-	-	-	-	-	9,090,883	3,852,642
Accounts receivable	51,445	333,984	-	-	-	-	-	-	-	-	-	-	-	-	51,445	333,984
Awards and contributions receivable	185,232	147,542	-	-	-	-	-	-	-	-	50,000,000	-	-	-	50,185,232	147,542
Prepaid expenses	-	-	17,199	16,251	-	-	-	-	-	-	-	-	-	-	17,199	16,251
Due from other funds	-	145,810	-	-	-	-	-	154,948	-	-	-	-	-	-	-	300,758
	7,307,760	3,737,255	1,875,789	758,974	-	-	121,466	154,948	39,744	-	50,000,000	-	-	-	59,344,759	4,651,177
Property and equipment (Note 4)	-	-	-	-	-	-	-	-	-	-	-	-	86,600	109,653	86,600	109,653
	7,307,760	3,737,255	1,875,789	758,974	-	-	121,466	154,948	39,744	-	50,000,000	-	86,600	109,653	59,431,359	4,760,830
Liabilities																
Current																
Accounts payable and accrued liabilities	116,702	467,756	113,832	152,948	-	-	-	-	-	-	-	-	-	-	230,534	620,704
Accrued awards and projects	878,579	874,448	-	-	-	5,000	84,142	154,948	40,445	-	-	-	-	-	1,003,166	1,034,396
Due to other funds	-	-	-	-	-	300,758	-	-	-	-	-	-	-	-	-	300,758
	995,281	1,342,204	113,832	152,948	-	305,758	84,142	154,948	40,445	-	-	-	-	-	1,233,700	1,955,858
Deferred revenue (Note 5)	3,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,500,000	-
	4,495,281	1,342,204	113,832	152,948	-	305,758	84,142	154,948	40,445	-	-	-	-	-	4,733,700	1,955,858
Commitments (Note 6)																
Appropriations																
Unrestricted	2,812,479	2,395,051	-	-	-	-	-	-	-	-	-	-	-	-	2,812,479	2,395,051
Externally restricted	-	-	1,761,957	606,026	-	(305,758)	37,324	-	(701)	-	-	-	-	-	1,798,580	300,268
Endowment fund	-	-	-	-	-	-	-	-	-	-	50,000,000	-	-	-	50,000,000	-
Invested in property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	86,600	109,653	86,600	109,653
	2,812,479	2,395,051	1,761,957	606,026	-	(305,758)	37,324	-	(701)	-	50,000,000	-	86,600	109,653	54,697,659	2,804,972
	7,307,760	3,737,255	1,875,789	758,974	-	-	121,466	154,948	39,744	-	50,000,000	-	86,600	109,653	59,431,359	4,760,830

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

ROLFE, BENSON

BRITISH COLUMBIA INNOVATION COUNCIL
Statement of Appropriations
For the Year Ended 31 March 2006

	Funds (Note 2):															
	General		Base		B.C. STIP		Health Product & Functional Food		S&T		NR&AS Research Endowment		Property & Equipment		Totals	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Balance - beginning of year, as previously reported	-	-	3,001,077	2,034,149	(305,758)	-	-	-	-	-	-	-	109,653	88,497	2,804,972	2,122,646
Transfer (Note 2(j))	2,395,051	2,842,225	(2,395,051)	(2,842,225)	-	-	-	-	-	-	-	-	-	-	-	-
Balance - beginning of year, as restated	2,395,051	2,842,225	606,026	(808,076)	(305,758)	-	-	-	-	-	-	-	109,653	88,497	2,804,972	2,122,646
Excess (deficiency) of revenue over expenses after reductions	434,715	(297,312)	1,400,430	1,414,102	5,000	(300,758)	101,866	(97,647)	(701)	-	50,000,000	-	(48,623)	(36,059)	51,892,687	682,326
Transfers	(17,287)	(149,862)	(244,499)	-	300,758	(5,000)	(64,542)	97,647	-	-	-	-	25,570	57,215	-	-
Balance - end of year	2,812,479	2,395,051	1,761,957	606,026	-	(305,758)	37,324	-	(701)	-	50,000,000	-	86,600	109,653	54,697,659	2,804,972

The accompanying notes are an integral part of these financial statements.

ROLFE, BENSON
CHARTERED ACCOUNTANTS

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Operations

For the Year Ended 31 March 2006

	Funds (Note 2)															
	General		Base		BC STIP		Health Product & Functional Food		SRT		NR&AS Research Endowment		Property & Equipment		Totals	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Revenue																
Base budget			3,268,000	3,268,000											3,268,000	3,268,000
Aquaculture (Note 8)	615,214	579,647													615,214	579,647
BC BioProducts (Note 9)		273,100														273,100
Endowment contribution											50,000,000				50,000,000	
Health Product & Functional Food							124,516	12,397							124,516	12,397
IBM development scholarship		100,000														100,000
International	470,162	669,868													470,162	669,868
Leading Edge Endowment Fund (Note 10)	201,581	174,372													201,581	174,372
Ocean/Marine & Energy			5,000	37,000											5,000	37,000
Science and Technology Fund									1,964,871						1,964,871	
Science Fair Recognition			5,000	5,000											5,000	5,000
Truant Scholarships			2,000	5,000											2,000	5,000
Interest	167,583	19,864													167,583	19,864
Other income	142,216	179,672													142,216	179,672
	1,996,736	1,996,523	3,280,000	3,315,000			124,516	12,397	1,964,871		50,000,000				56,966,123	5,323,920
Expenses																
GREAT		2,568														2,568
Aquaculture (Note 8)	705,966	657,338													705,966	457,338
BC BioProducts (Note 9)	237,965	38,874													237,965	38,874
BC STIP		(14)														(14)
Communications and Recognition			204,072	209,068											204,072	209,068
ECO-Efficiency		18,346														18,346
Health Product & Functional Food							21,500	104,115							21,500	104,115
IBM development scholarship	286	100,000													286	100,000
International	44,106	1,013,125													44,106	1,013,125
Leading Edge Endowment Fund (Note 10)	180,720	63,508													180,720	63,508
Ocean/Marine & Energy			41,772	26,321											41,772	26,321
Science and Technology Fund									1,964,901						1,964,901	
Science Fair Recognition			31,734	10,241											31,734	10,241
Special projects				6,105												6,105
Truant Scholarships			3,000	2,504											3,000	2,504
Operations			1,598,501	1,646,609			1,180	5,929	901				48,623	36,059	1,648,830	1,688,597
Bad debt expense	871					305,758									871	305,758
Other expenses			486												486	
	1,169,922	2,203,835	1,879,570	1,900,898		305,758	22,680	110,044	1,965,572				48,623	36,059	5,086,337	4,046,594
Excess (deficiency) of revenue over expenses	**826,814**	(297,312)	**1,400,430**	1,414,102		(305,758)	**101,866**	(97,647)	(701)		**50,000,000**		(48,623)	(36,059)	**51,879,786**	677,326
Reductions to commitments and refunds	7,901				5,000	5,000									12,901	5,000
Excess (deficiency) of revenue over expenses after reductions	**834,715**	(297,312)	**1,400,430**	1,414,102	**5,000**	(300,758)	**101,866**	(97,647)	(701)		**50,000,000**		(48,623)	(36,059)	**51,892,687**	682,326

The accompanying notes are an integral part of these financial statements.

ROLFE, BENSON

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Cash Flows

For the Year Ended 31 March 2006

	Funds (Note 2):															
	General		Base		B.C. STIP		Health Product & Functional Food		S&T		NRAAS Research Endowment		Property & Equipment		Totals	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Cash provided for (used in):																
Operating activities																
Excess (deficiency) of revenues over expenses after reductions	434,715	(297,312)	1,400,430	1,414,102	5,000	(300,758)	101,066	(97,647)	(701)	-	50,000,000	-	(48,623)	(36,059)	51,891,887	682,326
Add (deduct) transfers	(17,287)	(149,862)	(244,499)		300,758	(5,000)	(63,543)	97,647	-	-	-	-	25,570	57,215	-	-
Excess (deficiency) of revenues over expenses after reductions and transfers	417,428	(447,174)	1,155,931	1,414,102	305,758	(305,758)	37,524	-	(701)	-	50,000,000	-	(23,053)	21,156	51,891,887	682,326
Add (deduct) non-cash transactions																
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	28,323	36,059	28,323	36,059
	417,428	(447,174)	1,155,931	1,414,102	305,758	(305,758)	37,524	-	(701)	-	50,000,000	-	5,270	57,215	51,921,010	718,385
Changes in non-cash working capital balances																
Accounts receivable	282,539	69,851	-	-	-	-	-	-	-	-	-	-	-	-	282,539	69,851
Awards and contributions receivable	(37,690)	243,571	-	-	-	305,758	-	-	-	-	(50,000,000)	-	-	-	(50,037,690)	549,329
Interest receivable	-	1,597	-	-	-	-	-	-	-	-	-	-	-	-	-	1,597
Prepaid expenses	-	-	(948)	(12,721)	-	-	-	-	-	-	-	-	-	-	(948)	(12,721)
Accounts payable and accrued liabilities	(351,054)	232,963	(39,116)	152,948	-	-	-	-	-	-	-	-	-	-	(390,170)	385,911
Accrued awards and projects	4,131	(121,002)	-	-	(5,000)	(9,649)	(70,806)	70,548	40,445	-	-	-	-	-	(31,230)	(60,103)
Deferred revenue	3,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	3,500,000	-
	3,815,354	(20,194)	1,115,867	1,554,329	300,758	(9,649)	(33,482)	70,548	39,744	-	-	-	5,270	57,215	5,243,511	1,652,249
Investing activities																
Purchase of equipment	-	-	-	-	-	-	-	-	-	-	-	-	(5,270)	(57,215)	(5,270)	(57,215)
Net increase in cash	3,815,354	(20,194)	1,115,867	1,554,329	300,758	(9,649)	(33,482)	70,548	39,744	-	-	-	-	-	5,238,241	1,595,034
Cash - beginning of year	3,109,919	2,257,608	742,723	-	-	-	-	-	-	-	-	-	-	-	3,852,642	2,257,608
Transfers	145,810	872,505	-	(811,606)	(300,758)	9,649	154,948	(70,548)	-	-	-	-	-	-	-	-
Cash - end of year	7,071,083	3,109,919	1,858,590	742,723	-	-	121,466	-	39,744	-	-	-	-	-	9,090,883	3,852,642

1. Statement of Purpose

The British Columbia Innovation Council ("Council") was established through Royal Assent on 30 March 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act ("Act").

The former Innovation and Science Council of British Columbia was also established through Royal Assent on 12 March 2003 by an amendment of the Science Council of British Columbia Act, under which the Science Council of British Columbia was established in 1978. In 1989, the Science Council of British Columbia and the Secretariat on Science, Research and Development were amalgamated pursuant to the Science Council Act, Chapter 77, and continued as the Science Council of British Columbia.

During 2005, the Innovation and Science Council of British Columbia merged with the Advanced Systems Institute of BC ("ASI") to operate under the name BC Innovation Council. This was a merger of both organizations' resources as they have not yet legally merged. The Council and ASI operate functionally under one management team. The assets, liabilities, net assets, revenues and expenses of ASI will not be reflected in these financial statements until the legal merger has been effected .

Under Section 13 of the Act, directors, officers, and employees have certain immunities in the exercise of their duties carried out in connection with the Council.

The Council's mandate is to support applied research and commercialization of science and technology to foster province-wide economic development.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The Council's operations are dependent upon the continued funding from the various governmental agencies to carry out its programs. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which contemplate the continuation of the Council as a "going concern".

In the Council's normal course of operations, it receives funding from government agencies and private corporations to carry out various programs. Funding is restricted to each respective program and the Council performs regular reviews to ensure it is in compliance with the program mandates. Funding bodies may have an independent audit performed on program expenses to ensure that they are in accordance with the program mandates. These financial statements do not include a provision for expenses that may not meet the program mandates which have not been independently audited by the funding bodies.

2. Summary of Significant Accounting Policies - Continued

(b) Fund Accounting

The Council follows the restricted fund method of accounting for contributions.

The following funds are represented in the financial statements:

(i) General Fund

The General Fund represents the funds of the Council which account for the delivery of the Council's general programs. The fund reports unrestricted resources and restricted program grants.

Funding is provided from the Council's partnerships with provincial and federal government agencies, research institutions, and industry and regional groups.

(ii) Base Fund

The Base Fund accounts for the Council's general administrative activities on behalf of the Ministry of Advanced Education (previously Ministry of Small Business and Economic Development) ("Ministry"). Any portion of the contribution received as base funding from the Ministry, and interest earned thereon that has not been expended or committed in writing to be expended by the Council in or towards the reimbursement or the satisfaction of costs, prior to the end of each fiscal year, will at the sole discretion of the Province of British Columbia ("Province"), either:

- become immediately due and be repayable by the Council to the Province; or
- be applied and committed in a manner approved by the Province against additional activities in fulfilment of the Council's goals and objectives.

The Ministry has not confirmed in writing whether there is any amount repayable, but it is management's assertion that no liability exists with regards to these funds as at 31 March 2006.

(iii) BC Science & Technology Infrastructure Program (BC STIP)

This program provided funds to institutions in order to assist them in the preparation of proposals for funding to the Canada Foundation for Innovation (CFI). Successful applications were required to have CFI funds matched by income from other sources, and this program also provided a portion of those funds, sourced by Discovery Foundation.

During 2005, the balance receivable from Discovery Foundation of $305,758 was written off as a bad debt expense as it was considered no longer collectable. As at 31 March 2006, a transfer was made from the General Fund to eliminate the deficiency in the fund.

2. Summary of Significant Accounting Policies - Continued

(iv) Health Product and Functional Food Program

The purpose of the Health Product and Functional Food Program is to foster growth and development of the health product and functional food industry in British Columbia by funding projects that further the growth and expansion of the BC industry. The program is administered on behalf of the British Columbia Functional Foods and Nutraceuticals Network by agreement dated 3 January 2003 for the period 1 December 2002 to 30 November 2007.

Funding is provided by the Ministry of Agriculture, Food and Fisheries.

(v) Science and Technology Fund (S & T)

The purpose of the Science and Technology Fund is to support eligible organizations with their core operating expenses to administer projects and initiatives that compliment the Council's mandate.

Initial funding was provided during the year ended 31 March 2006 and will be provided annually by the Ministry.

(vi) Natural Resources and Applied Science Research Endowment (NR & AS)

The Natural Resources and Applied Science Research Endowment Fund is a one-time $50 million contribution provided by the Ministry of Economic Development and forwarded to the Council to develop and administer an investment policy for the fund. As an endowment, the original contribution is to be preserved. All investment income earned is to be managed by the Council, in conjunction with the Ministry, to support training, research and development in natural and applied sciences.

The endowment contribution was provided by the Ministry of Economic Development by letter dated 29 March 2006 and was received subsequent to 31 March 2006.

(vii) Property and Equipment

This fund accounts for property and equipment acquired by the Council.

(c) Short-term Investments

Short-term investments are recorded at the lower of cost and market value.

2. Summary of Significant Accounting Policies - Continued

(d) Property and Equipment

Property and equipment expenses with a value greater than $1,000 are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Furniture, fixtures and equipment	20%	declining balance
Computer hardware and software	33-1/3%	declining balance
Leasehold improvements	60	months straight-line

(e) Federal and Provincial Income Taxes

The Council is exempt from corporate income taxes.

(f) Revenue Recognition

Restricted contributions related to general programs are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Investment income earned on Endowment Fund resources that must be spent on Endowment activities is recognized as revenue of the Endowment Fund. Other investment income is recognized as revenue of the General Fund when earned.

(g) Restricted and Unrestricted Appropriations

No provision has been made for future operational expenses required for normal delivery of existing programs.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from those estimates.

(i) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

2. Summary of Significant Accounting Policies - Continued

(j) Transfers

The net assets and operations of the Base Fund have been separated into two funds, the General Fund and the Base Fund (Note 2(b)). This change has been applied on a retroactive basis and as a result, the appropriations of the Base Fund have decreased and the General Fund have increased by $2,842,225 as at 1 April 2004. In addition, the excess of revenue over expenses for the Base Fund has increased and the deficiency of revenue over expenses for the General Fund has increased $297,312 for the year ended 31 March 2005.

3. Financial Instruments

The Council's financial instruments consist of cash and short-term investments, accounts receivable, awards and contributions receivable, accounts payable and accrued liabilities and accrued awards and projects payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to their short maturities.

The Council invests surplus funds in accordance with the BC Financial Administration Act (RSCBC 1996) Chapter 138.

4. Property and Equipment

	Cost	Accumulated Amortization	Net Book Value 2006	Net Book Value 2005
Furniture, fixtures and equipment	$ 56,596	$ 42,051	$ 14,545	$ 15,900
Computer hardware and software	129,136	77,364	51,772	70,819
Leasehold improvements	27,770	7,487	20,283	22,934
	$ 213,502	$ 126,902	$ 86,600	$ 109,653

5. Deferred Revenue

During the year, the Council received $3,500,000 from the Ministry of Agriculture, Food and Fisheries as a grant towards implementing a BioProducts Science and Innovation Program. It is expected that the purpose of the fund will be to provide the British Columbia agriculture, food, beverage, and agri-biotechnology sectors with the opportunity to move innovative ideas through the research and commercialization process, resulting in economic growth for the province.

As at the year end, the budget for this project was not finalized and no expenses were incurred. The amount therefore remains deferred.

6. Commitments

The Council is committed to lease its office premises until 29 November 2009 at a variable monthly rental rate.

The Council is also committed to lease a photocopier until 31 March 2007 at a quarterly rental of $2,974.

Total lease commitments for the next four years are as follows:

2007	$ 144,362
2008	137,697
2009	141,185
2010	94,123
	$ 517,367

7. Letter of Guarantee

The Council has deposited with the Canadian International Development Agency (CIDA), a federal government agency, a Bank Guarantee in the amount of $500,000. This letter of guarantee is to provide assurance to CIDA as to repayment of certain amounts funded by CIDA on the Private Enterprises Accelerated Resource Linkage Project II (PEARL II) project in the Philippines should the Council default on its obligations under the project contract. The Council withdrew from this project on 31 March 2005. As at 31 March 2006, the Council is not in default of its obligations under the project. The guarantee has been cancelled subsequent to the year end.

8. Aquaculture and Environment Research Fund Program

The purpose of the Aquaculture and Environment Research Fund Program, which is accounted for in the General Fund, is to provide support for research on the environmental aspects of the finfish and shellfish aquaculture relevant to the Province. Such research will enable adoption of sustainable management and operational practices as well as address questions of public interest and policy.

The program's original seed amount of $3.75 million was provided by the Ministry of Agriculture, Food and Fisheries and is being held by the University of British Columbia (UBC) on behalf of the Council. A total of $646,752 (2005 - $456,846) was committed to during the year. The total amount of funding still held by UBC and available as at 31 March 2006 is $1,292,102 (2005 - $1,938,854).

9. BC BioProducts Program

The BC BioProducts program, which is accounted for in the General Fund, is funded by the Ministry of Agriculture, Food & Fisheries by letter dated 28 May 2004. The purpose of this program is to provide the following:

- a focal point for developing products and companies;
- support industry in the shift from bio-based feedstocks and materials;
- encourage value-added production; and
- provide access to information and encourage networking.

9. BC BioProducts Program - Continued

The Council began administering the program in 2005 on behalf of the British Columbia BioProducts Association ("Association").

During the year, the Association assumed responsibility for administering the program and the remaining funds in the program of $237,956 were transferred to the Association.

10. Leading Edge Endowment Fund

The Leasing Edge Endowment Fund (LEEF) was established by the Province to encourage social and economic development in British Columbia by establishing various leadership and regional innovation chairs across the Province.

By agreement dated 18 June 2004, the Council has agreed to provide secretariat support services to LEEF for the period 19 June 2004 to 20 June 2006.

11. Restricted Cash

Cash restricted from normal operations is as follows:

	2006	2005
Aquaculture Program	$ 35,363	$ 30,000
BC offshore oil and gas	-	36,000
BioProducts Science and Innovation Program	3,500,000	-
Cash jointly held by the Council and the British Columbia Institute of Technology for the PEARL II project	-	64,685
Health Product and Functional Food Program	121,466	-
Science and Technology Fund	39,744	-
	3,696,573	130,685
Unrestricted	5,394,310	3,721,957
	$ 9,090,883	$ 3,852,642

APPENDIX C: GLOSSARY

Innovation - refers both to the outcome and the creative process of applying knowledge to the development of new products and services or to new ways of designing, producing or marketing an existing product or service for public and private markets. As an outcome, there is the characteristic of newness in innovations; a world's first, new to Canada or simply new to the organization that applies them. As a process, there is the existence of many and important links which connect the prototype of a product or service and the commercial use in the marketplace.

Science and Technology - systematic activities which are closely concerned with the generation, advancement, dissemination and application of scientific and technical knowledge in all fields of science and technology. These include such activities as research and development (R&D), scientific and technical education and training, and scientific and technical services.

Research and Development - creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of people, culture and society, and the use of this stock of knowledge to devise new applications.

Commercialization - three main interpretations are:

- Research-oriented: The commercialization of research was often portrayed as a linear chain of events beginning with research and ending with the commercial success of a product. This approach neglects the convergence of technologies that is often required to create new products.

- Innovation-oriented: The commercialization of innovation focuses on the contribution to the economy of new and significantly improved products. Although many innovations have a research component, not all do.

- Competitiveness-oriented: This is the broadest perspective and includes knowledge generation (R&D and education), innovation and productivity. The perception is that improving all aspects of the system of commercialization will increase the nation's competitive advantage.

Technology Transfer - movement along a path wherein discovery, idea or invention leads into an operational system, product or service.

Science and Technology Awareness - attitudes and predisposition towards science and technology which are based on beliefs and feelings and are manifest in a series of skills and behavioural intentions from a desire to access scientific and technological knowledge, confidence to explore ramifications of that knowledge, understanding of key ideas/products and how they came about, to evaluation of the status of scientific and technological knowledge and its significance for personal, social and economic life.

Most definitions adopted from Statistics Canada